

Hospital Finance

Affordable Health Care Commission

November 14, 2007



Hospital Charges

The law requires hospitals to **CHARGE** everyone the same rates...BUT

- No two payers **PAY** the same rates
- No Payer Pays **ALL PROVIDERS** the same
- Government payers pay **BELOW** costs
- Commercial payers **NEGOTIATE** rates
- Charity care and underpayment impacts overall costs for everyone else

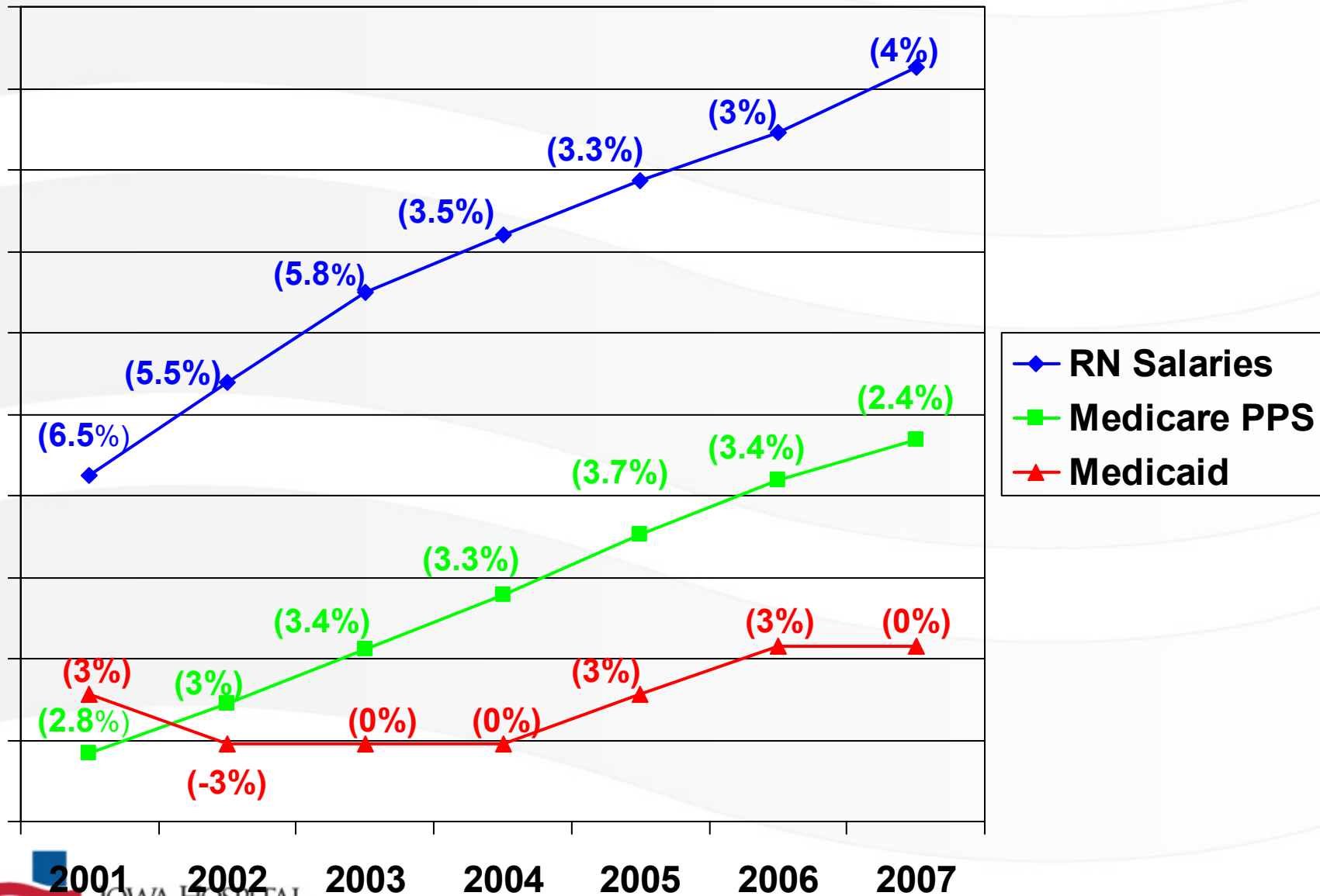
Iowa Hospital Losses (Cost)

- - \$102 Million annually in *Medicare*
- - \$118 Million annually in *Medicaid*
(Medicaid pays below Medicare rates)
- - \$119 Million annually in *Charity Care*
- - \$120 Million in *Other Uncollected Patient Expense*
- -\$39 Million in *Community Health Improvement Services*

Impact of Shortfalls/Losses

- Impacts ability to attract physicians
- Impacts ability to retain nurses, clinical staff
- Impacts health care costs to private business
- Impacts ability to provide charity care and to support IowaCare program
- Impacts technology/infrastructure
- Impacts wellness/preventive programs

Comparison of Cumulative Iowa Hospital Salary Increases v. Medicare & Medicaid Payments, 2001- 2007



Payment for Hospital Services

- Medicare = 43.7%
- Wellmark = 19.2%
- Other Commercial = 14.9 %
- Medicaid = 10.0%
- Self Pay = 5.9%
- Other = 8.3%

Iowa Hospital Expenses

- Expense Per Inpatient Admission

- Iowa = \$6,998 (44th)
- Midwest = \$8,259
- U.S. = \$8,535

- Charges Per Outpatient Visit

- Iowa = \$509 (50th)
- Midwest = \$755
- U.S. = \$873

The Uninsured

- 7-9% of Iowans (one of lowest in nation)
- 97% of Children Covered
- 250,000 – 270,000 People
- Generally Speaking
 - 1/3 Are Self Insured
 - 1/3 Have Access to Insurance
 - 1/3 Truly Without Access to Coverage

Uninsured Are Not “Self Pay”

- All Iowa Hospitals Share IHA Principles
- Care Not Denied Based Upon Resources
- Written Financial Aid Policies
 - Discounts Up To 1000% of Poverty Level
- Refrain From Aggressive Collection Policies
 - No Sale of Home
 - No Body Liens
 - No Bankruptcies

Hospital Operating Margins

- Employee Costs (50%)
- Capital/Technology
- Bond/Debt Financing
- Uncertainty Regarding Government Programs
- Emergency Services
- Fluctuating Health Care Economy

Iowa Hospital Operating Margins

- Statewide 2006
 - Patient Revenue = **-3.2%**
 - Operating Revenue = **2.4%**
 - Total Revenue = **5.9%**
- Hospitals Losing Money 2006 (117 total)
 - Patient Revenue = **78**
 - Operating Revenue = **45**
 - Total Revenue = **13**

Investing In Medicaid

- State Can't Control Medicare Losses
- State CAN Impact Medicaid Program
- Important for Beneficiaries *and* Providers
- Guaranteed Federal Match (almost 2-for1)
- **Single Most Effective Action Iowa Could Take to Impact Insurance Costs for Families and Small Business**

Investing in Medicaid

- ***\$49 Million*** to Insure Parents of Medicaid Children (100% of poverty – 30,000)
- ***\$27 Million*** to Move Hospital Payments to Medicare Levels (Upper Payment Limit)
- ***\$5 Million*** to Move Physician Payments to Medicare Levels (as mandated in 2000)
- Access Federal Funding Rather Than All State Dollars

Hospital Price Transparency

Beginning January 2007: Iowa hospitals publicize hospital charges via IHA web site:

www.ihaonline.org

Web link to Iowa hospital data on quality and patient safety via **Iowa Healthcare Collaborative**

State and federal underpayment for services

Charity care

Role of other health care providers

Transparency in the vendor community

